

EXHIBIT 7

[Page 1]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
CASE NO. 11-1590-LTS-HBP

UNIVERSITAS EDUCATION, LLC

Plaintiff,

VS.

NOVA GROUP, INC., as trustee,
sponsor and fiduciary of the
CHARTER OAK TRUST WELFARE
BENEFIT PLAN,

Defendant.

April 17, 2013

10:00 a.m.

DEPOSITION OF DANIEL E. CARPENTER

REPORTED BY:

MARY G. VAN DINA, Certified Court Reporter,
Certified LiveNote Reporter.

[Page 47]

1 Daniel Carpenter 4/17/13

2 I correct that it's your position that the money
3 for the purchase of the Rhode Island property did
4 not originate with Grist Mill Capital?

5 A. Yes, it did not originate with Grist
6 Mill Capital.

7 The money came from Phoenix Capital to
8 Grist Mill Holdings and then from Grist Mill
9 Holdings, it went to Hanover, and then from
10 Hanover over to Moonstone.

11 Q. What is the business of Grist Mill
12 Capital, LLC?

13 A. Grist Mill Capital is just in the
14 business of investing in life insurance policies.

15 Q. What's the business of Grist Mill
16 Holdings, LLC?

17 A. Grist Mill Holdings is my alter ego
18 for collecting commissions.

19 Q. And what is the business, to the
20 extent you haven't already told me, of Hanover
21 Trust Company?

22 A. Just to handle various assets. That's
23 it.

24 Q. Have you ever accessed the cash value
25 of any of the insurance policies held by Hanover

[Page 75]

1 Daniel Carpenter 4/17/13

2 A. No, it was a split-dollar arrangement.

3 Every one of the policies that was purchased
4 through the Charter Oak Trust had a split-dollar
5 arrangement, collateral assignment agreement, so
6 there was nothing with Nova Group, Inc. It was
7 directly with Charter Oak Trust. So every single
8 one of the policies would have had a split-dollar
9 arrangement with Grist Mill Capital.

10 Q. Was there a loan agreement at any
11 point in time between Grist Mill Capital and the
12 Charter Oak Trust?

13 A. No.

14 Q. Now, Herrick, Feinstein is a law firm.
15 Correct?

16 A. Yes.

17 Q. They're identified on the first page
18 of Moonstone 4?

19 A. Yes.

20 Q. And I think you testified that they
21 represented Ridgewood Capital and the Ridgewood
22 entities?

23 A. Correct.

24 Q. Now, who represented Nova Group, Inc.
25 in the transaction set forth on Moonstone 4?

[Page 76]

1 Daniel Carpenter 4/17/13

2 A. I don't remember. I don't know if
3 anybody represented -- Nova Group, Inc. was the
4 shell corp. that acted as the sponsor of the
5 Charter Oak Trust.

6 Q. And to the best you can recall, in
7 connection with the transaction set forth in
8 Moonstone 4, you're not aware of anyone
9 representing Nova Group, Inc.'s interest?

10 A. I have no knowledge of who was
11 representing Nova Group, Inc., and I know that
12 Halloran & Sage was definitely representing Grist
13 Mill Capital, and I don't know if there would
14 have been a conflict, so I'm going to guess that
15 Halloran & Sage would not have represented Nova
16 Group, Inc., because there's an inherent conflict
17 between Grist Mill Capital being the creditor and
18 Nova Group representing the Charter Oak Trust as
19 the debtor.

20 Q. Right.

21 A. So I don't know who would have
22 represented Nova Group at all.

23 Q. And if I asked the question a little
24 differently, would you answer me the same?

25 Was anyone representing Charter Oak

[Page 122]

1 Daniel Carpenter 4/17/13

2 A. If I didn't ask them to do it, I don't
3 think they would do it for me. So I'd say, no,
4 I've never had anybody backdate a document for
5 me. I've never asked anyone to do it, and I
6 don't believe anybody has ever backdated a
7 document for me.

8 Q. At the time this document was signed
9 in October 2010 -- I think it's fair to say that
10 it was signed in October 2010. Correct?

11 A. Once again, I believe that -- I
12 believe that the reason we did this document at
13 the same time was that there was another
14 transaction involving one of our affiliates named
15 Richard Belding, and we basically said, hey,
16 we're doing this loan between Carpenter Financial
17 Group and Richard Belding, let's document the
18 loan between Hanover and Moonstone.

19 So I realized that the Moonstone
20 transaction was done in 2009, but the genesis of
21 this document was we were doing another mortgage
22 for Rich Belding and that's why I believe we
23 created this document, and Bob Cox created both
24 mortgages.

25 Q. This gentleman, Mr. Belding, he has

[Page 123]

1 Daniel Carpenter 4/17/13

2 nothing whatsoever to do with Moonstone Partners,
3 LLC. Correct?

4 A. Correct.

5 Q. Why didn't Phoenix Capital Management
6 loan the money directly to Moonstone?

7 A. Phoenix Capital Management put the
8 money into Grist Mill Holdings, but certainly --
9 certainly, we could have lent money directly
10 to -- Phoenix Capital Management could have
11 directly lent money to Moonstone, but we didn't
12 do it that way, so...

13 Q. Why not?

14 A. I don't know. You know, in other
15 words, I could have borrowed money out of my
16 insurance policies and financed the purchase of
17 Moonstone, but we didn't do it that way either.

18 Q. That would require you to go to the
19 insurance carriers to tap into your cash value.

20 Correct?

21 A. Correct, but I've done that before to
22 buy other businesses. In other words, why we
23 decided to do one transaction rather than
24 another, but the reason for using Hanover Trust
25 is to make sure that someone wouldn't be coming

[Page 124]

1 Daniel Carpenter 4/17/13

2 after the Moonstone property.

3 So Phoenix Capital Management had
4 cash. Hanover didn't have any cash. So when you
5 ask the question of why didn't you just have
6 Phoenix Capital lend money directly to Moonstone,
7 I would say it was my fear that someone would
8 say, you know, it's all Dan Carpenter, and the
9 reason for doing this transaction in the first
10 place was to make sure that the Boston exchangers
11 wouldn't go after the Moonstone property because
12 under the theory that Dan Carpenter owns and
13 controls everything.

14 So there's no question that Phoenix
15 Capital Management is owned and controlled by
16 Carpenter Financial Group, and if they're going
17 after independent entities that have absolutely
18 nothing to do with Daniel Carpenter, then clearly
19 they would go after a transaction where it's
20 Carpenter Financial Group that owns 99 percent of
21 Phoenix.

22 So the whole reason behind the
23 security agreement and the whole reason behind
24 Hanover Trust is to protect Moonstone from the
25 Boston exchangers.

[Page 125]

1 Daniel Carpenter 4/17/13

2 Q. You mentioned someone by the name of

3 --

4 MR. SIANO: Ms. Colbath, you're over
5 your three hours. May I have some sense as
6 to when you intend to finish?

7 MR. BARNETT: I don't think we're over
8 our three hours.

9 MR. SIANO: Well, that's nice of you,
10 Mr. Barnett.

11 MS. COLBATH: What calculation do you
12 have?

13 MR. SIANO: It's five minutes after
14 1:00 and we started at 10:00 exactly.

15 MR. BARNETT: There have been several
16 breaks.

17 MS. COLBATH: You took a break to
18 speak to your client.

19 MR. SIANO: Right. That took two
20 minutes. I have it on my watch.

21 MS. COLBATH: We have been keeping
22 time of our breaks.

23 MR. SIANO: Well, that's good.

24 Mr. Barnett keeps time for you, and I keep
25 time for me, and we have a disagreement.

[Page 126]

1 Daniel Carpenter 4/17/13

2 MS. COLBATH: We can ask the court
3 reporter.

4 We can calculate when we were off on
5 break. I have about ten more minutes,
6 probably not even.

7 MR. SIANO: Why don't you take five.

8 MS. COLBATH: Let me ask one more
9 question before we take the break.

10 MR. BARNETT: By my count, there's 24
11 minutes.

12 MR. SIANO: There isn't 24 minutes,
13 and if you think I'm staying for 24 minutes,
14 you can take it up with the judge. There
15 isn't 24 minutes. Take five, and after
16 five --

17 MS. COLBATH: Let me ask the question
18 first, the we can take five.

19 MR. SIANO: No, no, we can take five

20 --

21 BY MS. COLBATH:

22 Q. So the court reporter has a name of
23 someone.

24 You keep referring to Belding?

25 A. Rich Belding, yes, B-E-L-D-I-N-G, and

[Page 127]

1 Daniel Carpenter 4/17/13

2 Richard Belding was an insurance broker that did
3 a lot of work with us.

4 Q. Your recollection is that you were
5 papering a transaction with him and that's why
6 you did prepare what we marked as Moonstone 15.

7 Correct?

8 A. Correct, so Rich Belding was buying a
9 house in Canton.

10 I, through Carpenter Financial Group,
11 lent him over 150,000 to purchase that house, and
12 Bob Cox suggested that we do a mortgage
13 instrument for him to secure Carpenter Financial
14 Group, and that was the hey, you know, if we're
15 doing this on the Belding transaction, let's do
16 this on the Moonstone transaction as well.

17 Q. And Carpenter Financial Group, as I
18 understand it, had the money for both of those
19 transactions.

20 Right?

21 A. Carpenter Financial Group is a very
22 substantial company that has a lot of money.

23 Q. Was Carpenter Financial Group the
24 lender in the Belding transaction?

25 A. Yes.